

## Community Development Block Grants (Section 108 Loan Guarantee)

Loan guarantee assistance for community and economic development.

**Nature of Program:** Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Under this section, HUD offers communities a source of financing for certain community development activities, such as housing rehabilitation, economic development, and large-scale physical development projects.

Eligible activities are (1) real property acquisition, (2) rehabilitation of property owned by the applicant public entity or its designated public agency, (3) housing rehabilitation eligible under the CDBG program, (4) special economic development activities under the CDBG program, (5) interest payments on the guaranteed loan and issuance costs of public offering, (6) acquisition, construction, reconstruction, rehabilitation, or installation of public facilities, (7) assistance for public facilities in colonias, (8) debt service reserves for repayment of the Section 108 loan, (9) other related activities, including demolition and clearance, relocation, payment of interest, and insurance costs. When determining eligibility, the CDBG rules and requirements apply. As with the CDBG program, all projects and activities must meet CDBG's primary objective (use of 70 percent of funds must benefit low- and moderate-income persons) and one of the following three national objectives: (a) principally benefit low- and moderate-income persons, (b) assist in eliminating or preventing slums or blight, or (c) assist with community development needs having a particular urgency. Loans may be for terms up to 20 years.

The applicant pledges its current and future CDBG funds as the principal security for the loan guarantee. HUD may require additional security for each loan, and any additional security that may be necessary is determined on a case-by-case basis.

**Applicant Eligibility:** Metropolitan cities and urban counties that receive entitlement grants may apply directly to HUD for loan guarantee assistance. Non-entitlement communities under the state CDBG program may also apply, but must have a pledge of their state's CDBG funds from the appropriate agency. Insular areas and non-entitlement communities in Hawaii may also apply directly to HUD for loan guarantee assistance. The public entity applicant may issue the Section 108-guaranteed obligation itself, or it may designate a local public agency with the necessary legal authority to do so. The appropriations acts for fiscal years 2008, 2009, 2010, and 2012 authorize States borrowing on behalf of local governments in non-entitlement areas to apply. Final regulations implementing the authority pursuant to section 222 of the Omnibus Appropriations Act, 2009 (Public Law 111-8) were published on April 6, 2010.

**Legal Authority:** Section 108 of the Housing and Community Development Act of 1974 (42 U.S.C. 5308). Regulations are at 24 CFR part 570, subpart M.

**Administering Office:** Assistant Secretary for Community Planning and Development, U.S. Department of Housing and Urban Development, Washington, DC 20410.

**Information Sources:** Administering office and HUD field offices.

On the Web:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/communitydevelopment/programs/108](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs/108)

**Current Status:** Active.